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INTRODUCTION

Description and Location

Petroleum Development Corporation (Pedco) of Gillette, Wyoming, has notified the Bureau of Land Management (BLM), Rawlins Field Office (RFO), that the company proposes to explore for and potentially develop coalbed methane (CBM) wells in the Blue Sky Project Area (Project Area) within the Atlantic Rim Coalbed Methane Project Area that is located in south central Wyoming (**Figure 1**). The Project Area is located within the administrative boundary of the RFO in Township 15 North, Range 91 West, Carbon County, Wyoming, and is one of nine areas or well pods that comprise the Atlantic Rim Interim Drilling CBM Project. This proposal is a part of interim drilling activity that may be allowed by the BLM while an Environmental Impact Statement (EIS) is being prepared for the entire Atlantic Rim CBM Project.

The Blue Sky interim development project (Project) consists of constructing, drilling, completing, testing, and producing up to 23 exploratory CBM wells, two injection wells, access roads, a compressor station, and related production and water disposal facilities in the Project Area. All 23 of the proposed well sites are located on federal surface ownership lands administered by the BLM. A total of 19 of the proposed wells would develop federal minerals. The remaining four proposed wells would develop state minerals. One existing well, S&W State 1-16, also will be tied into the Project. This well is located on BLM surface ownership lands and State of Wyoming mineral ownership lands. The Project Area encompasses approximately 1,921 acres. The life of the Project is estimated to be 10 to 20 years.

The Project Area is located about 18 miles northeast of Baggs, Wyoming, in the Muddy Creek watershed within the Colorado River Basin, several miles outside the Baggs Elk Crucial Winter Range Area. The historic Cherokee Trail, a western travel route dating from the 1800s, is located several miles to the south, outside the Project Area.

Access to the Project Area is by State Highway 789 and Carbon County Road 608 (Dad Road). Driving directions are as follows. Travel approximately 20 miles north from Baggs, Wyoming, on SH 789 to the intersection with Carbon County Road 608 (Dad Road), or about 30 miles south on SH 789 from Interstate 80 (I-80) to Dad Road. Turn east onto County Road 608 and travel approximately six miles to the Project Area.

PURPOSE OF AND NEED FOR ACTION

Purpose and Need for the Proposed Project

The purpose of Pedco's proposal is to search for and test certain geologic formations for the presence of commercial quantities of natural gas, specifically CBM. The proposed Project would allow Pedco to determine through exploration and production of CBM if the larger scale development is feasible.

The primary objective of the exploration Project is to determine the following in support of the larger Atlantic Rim CBM Project EIS:

- gas and water production rates;
- productive coal beds;
- economical drilling and completion techniques;
- feasibility of de-watering the coal(s); and
- preferred depths or pressure windows targeted for economic gas production.

Exploration and development of federal oil and gas leases by private industry is an integral part of the BLM's oil and gas leasing program. Statutory authority for BLM's oil and gas program is derived from the Mineral Leasing Act of 1920, as amended, the Mining and Minerals Policy Act of 1970, the Federal Land Policy and Management Act of 1976, the National Materials and Minerals Policy, Research and Development Act of 1980, and the Federal Onshore Oil and Gas Leasing Reform Act of 1987.

The proposed CBM development would exercise the leaseholders' existing rights within the Project Area to drill for, extract, remove, and market gas products. National mineral leasing policies recognize the statutory right of leaseholders to develop federal mineral resources to meet continuing national needs and economic demands so long as natural resource values and uses are sustained. Also included is the right of the leaseholders within the Project Area to build and maintain necessary improvements, subject to renewal or extension of the lease or leases, in accordance with the appropriate authority.

Natural gas is an integral part of the U.S. energy future due to its availability, the presence of an existing market delivery infrastructure, and the environmental advantages of clean-burning natural gas as compared with other fuels. In addition, the development of abundant domestic reserves of natural gas would reduce the country's dependence on foreign sources of energy and maintain an adequate and stable supply of fuel for economic well-being, industrial production, power generation, and national security. The environmental advantages of natural gas combustion versus other conventional fuels are emphasized in the Clean Air Act Amendments of 1990.

Environmental Analysis Process

The purpose of this environmental assessment (EA) is to document the environmental analysis process used by the BLM to make decisions in accordance with the National Environmental Policy Act (NEPA). This document provides the decision-makers with information needed to make a decision that is fully informed and based on factors relevant to the proposal, including documenting analyses conducted on the proposal and alternatives, and identifying environmental effects and mitigation measures. This document also provides a vehicle for public review and comment on the proposal, the environmental analysis, and conclusions about the relevant issues.

This EA has been prepared to evaluate and disclose the potential environmental impacts associated with a CBM Project. The proposed exploration Project would affect BLM lands managed by the RFO.

Factors considered during the environmental analysis process regarding the exploratory CBM Project include the following:

- A determination of whether the proposal and alternatives are in conformance with BLM policies, regulations, and approved Resource Management Plan (RMP) direction.
- A determination of whether the proposal and alternatives are in conformance with policies and regulations of other agencies likely associated with the Project.
- A determination of well pad locations, access roads, pipelines, and production facilities that best meet other resource management objectives and minimize surface resource impacts while honoring the lease rights within the Project Area.
- A determination of impacts on the human environment resulting from the Project and Alternatives, and the development of mitigation measures necessary to avoid or minimize these impacts.

RELATIONSHIP TO POLICIES, PLANS, AND PROGRAMS

The EA is prepared in accordance with NEPA and is in compliance with all applicable regulations and laws passed subsequent to the act. This EA assesses the environmental impacts of the Project and No Action Alternatives and serves to guide the decision-making process.

Conformance with Great Divide Resource Area RMP

In accordance with 43 CFR 1610.5, the proposed Project has been reviewed and is in conformance with the Great Divide RMP, approved on November 8, 1990.

The BLM's Great Divide RMP and Record of Decision (ROD) (BLM 1987, 1988a, 1990) direct the management of BLM-administered lands within the Project Area. Management of oil and gas resources, as stated in the RMP, provides for leasing, exploration and development of oil and gas while protecting other resource values. According to the RMP, all public lands in the resource area are suitable for oil and gas leasing and development, subject to certain stipulations.

The Project is located outside areas, such as the Baggs Elk Crucial Winter Range or any Areas of Critical Environmental Concern (ACECs), where surface-disturbing activities would be restricted and intensively managed to maintain important resource values. Portions of the Project Area are located within a utility/transportation system avoidance area. This area would be avoided, if possible, when permits are granted for surface-disturbing activities. If avoidance is not possible, each situation would be analyzed individually and impacts would be carefully mitigated. Management objectives and actions for soil, water, and air include reducing salt-loading and sediment-loading caused by surface-disturbing activities in watersheds that lie within the Colorado River Basin. These actions, including required monitoring, apply to the Project Area within Muddy Creek watershed. This action is also in conformance with the land use decisions pertaining to management objectives and actions for historic trail management and visual resources (Class III).

Conformance With Interim Drilling Guidelines

Drilling and development will be managed under the guidelines provided in the Interim Drilling Policy - Conditions and Criteria Under Which Development Activities May Occur Concurrent with EIS Preparation for the Atlantic Rim Coalbed Methane Project (**Appendix A**).

Relationship to Other Plans and Documents

The proposed Project is in conformance with the State of Wyoming Land Use Plan (Wyoming State Land Use Commission 1979) and the Carbon County Land Use Plan (Pederson Planning Consultants 1997, 1998) and would comply with all relevant federal, state, and local laws and regulations. Development of this Project would not affect the achievement of the Wyoming Standards for Healthy Rangelands (August 1977).

As part of the consultation process under Section 106 of the National Historic Preservation Act of 1966, as amended, the BLM is required to consult with the Wyoming State Historic Preservation Office (SHPO) and others, as necessary, regarding potential impacts of the proposed undertaking upon historic properties. The Project lies within the general area containing the historic Rawlins-Baggs Stage Road (eligible for inclusion in the National Register of Historic Places) and prehistoric camps (Hatcher and Davis 2001).

Issues and Concerns

Environmental and social issues and management concerns associated with the Project are identified as follows:

- Potential effects on wildlife habitats within the Project Area and adjacent lands, primarily greater sage grouse and big game crucial winter range.
- Potential effects on historic and cultural values that are currently unrecorded.
- Reclamation of disturbed areas associated with construction activities and off-road travel.
- Potential effects on surface water quality.
- Potential effects on air, soil, wildlife, and vegetation within the Project Area.
- Potential effects on groundwater.
- Potential effects on air quality (mostly from generators and compression facilities).
- Cumulative effects on all resources.